

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

I. D. #5946

RESOLUTION E-4019

September 7, 2006

R E S O L U T I O N

Resolution E-4019. Pacific Gas and Electric Company Refund Plan proposal related to the July 2006 heat storm. Approved with modifications.

By Advice Letter 2885-E Filed on August 16, 2006.

SUMMARY

This Resolution approves with modifications Pacific Gas and Electric Company's (PG&E's) Refund Plan proposal to provide an electric bill customer credit and a fund to assist some customers who are unable to pay their bills. The credits and associated funds are offset by the increased demand levels and revenues PG&E received due to the July 2006 heat storm.

- PG&E estimates that the total amount of the credits will be approximately \$125-150 million.
- PG&E's proposed Heat Storm credit plan for residential customers is modified as follows: a) those residential customers not enrolled in the California Alternative Rates for Energy (CARE) or the Family Electric Rate Assistance (FERA) programs will receive credits if their usage during the July heat storm billing period exceeded 130% of their baseline allowances; b) all CARE and FERA customers will receive a credit equal to 15% of the electric charges shown on their bill issued for the billing period covering the July heat storm; c) residential customers not enrolled in the CARE or FERA programs, and who used above 130% of baseline during the billing period covering the July heat storm will receive a credit of 15% of their electric charges for the billing period covering the heat storm; d) residential customers not enrolled in the CARE or FERA programs will receive no credits if their usage was at or below 130% of baseline during the heat storm billing period.

- PG&E's non-residential customers will receive a credit equal to 10% of the electric charges for the billing period covering the heat storm as proposed by PG&E.
- The amount PG&E proposes for a fund to benefit its residential customers who might otherwise be unable to pay their bills shall be increased. The \$5 million proposed by PG&E shall be increased by the amount of the bill credits that PG&E proposed to provide to non-CARE, non-FERA residential customers who used 130% or less than their baseline allowances during the heat storm billing period.
- Master-metered customers will distribute refunds to sub-metered customers based on usage according to Public Utilities Code Section 739.5(b), consistent with D.04-11-033.
- Customer overcharges caused by billing error associated with the bills that include credits may be adjusted for up to three years, consistent with tariff Rule 17.1
- Bill credits will begin no later than October 15, 2006.

BACKGROUND

PG&E has proposed a bill credit program to provide financial assistance to customers with high bills resulting from the July 2006 heat storm.

From July 16 to July 27, 2006 PG&E's service territory experienced temperatures far in excess of normal over an unprecedented number of consecutive days. As a result, PG&E experienced increased electrical demand for power, increased sales levels, and higher than forecast revenue.

PG&E's customers are now experiencing very high electric bills as a result of their higher energy use during July. By advice letter (AL) 2885-E filed on August 16, 2006, PG&E requests Commission approval to provide bundled and direct access customers with a bill credit as early as October 1, 2006, to partially offset the severe bill increases. PG&E requests expedited treatment of its advice letter so that it can begin bill credits as soon as possible.

Also, in recognition of the hardship that many customers may have experienced, PG&E requests Commission approval to use \$5 million to provide a fund for the benefit of its residential customers who might otherwise be unable to pay their bills. These funds would be administered by the Salvation Army, in a manner consistent with the existing Relief for Energy Assistance through Community Help (REACH) program, and possibly by other community agencies that have a proven track record in providing social services to customers who are income qualified.

PG&E's plan specifies that a one-time bill credit will be provided to customers beginning on October 1, 2006, and continuing through each customer billing serial in October. PG&E proposes to add a one-time line item to customer bills that describes the credit as: "Heat Storm Bill Credit" and will also provide a bill message stating the reason for the refund.

PG&E estimates that the total amount of credits will be \$125-150 million.

PG&E estimates that the total amount of the bill credits will be approximately \$125-150 million. This estimate is consistent with PG&E's preliminary estimate of the net increase to the balancing account balance that PG&E will record as a result of customers' higher July usage. As such, PG&E's proposal is to provide a credit now to customers as a bill credit, rather than reflect the balances later in rates under PG&E's Annual Electric True-Up (AET) AL.

PG&E's proposed bill credit for each eligible PG&E electric customer would be calculated as follows:

- Identify each customer's bill that covers the heat storm period. The heat storm days are defined as July 16 through July 27.
- An eligible customer is defined as a bundled service or direct access customer who received an electric bill that covers the heat storm period, July 16 through July 27, and is still taking service with PG&E at the time of the issuance of the bill credit.
- PG&E will apply the heat storm refund adjustment to the current "Net Charges" as displayed on the Electric Account Detail section of the customer's bill. If a customer's billing cycle is such that two bills both

include portions of a heat storm period, then the higher of the two bills will be considered as the basis for determining the heat storm bill credit.

- If a customer's bill covers a period greater than 33 days, PG&E will prorate the current "Net Charges" to an equivalent 33 day bill.
- The Heat Storm Bill Credit will be determined by multiplying the current "Net Charges" from the customer's eligible heat storm bill by 15 percent for all residential customers and 10 percent for all customers taking service on non-residential rate schedules.
- If applicable, the associated utility users' tax will be refunded at the current effective rate.

PG&E proposes to notify master-metered customers of the refund plan.

In the Heat Storm Refund Plan, PG&E states that it will inform master-metered customers of potential bill credits and remind them of their obligation to pass along any refunds to their tenants in accordance with Section 739.5(b) of the Public Utilities Code.

PG&E proposes to adjust refunds upon customer inquiry.

If within nine months of the initial implementation date of the Heat Storm Refund Plan a current or former customer contends that the amount refunded is incorrect, PG&E states that it will investigate the matter and make an appropriate adjustment.

PG&E proposes to file reports on the Heat Storm Refund Plan with the Energy Division.

A final report of the total amount refunded to eligible customers pursuant to the Heat Storm Refund Plan will be furnished to the Director of the Energy Division by September 28, 2007. A preliminary report of the amount refunded through October 31, 2006 will be provided to the Director of the Energy Division by December 1, 2006. These reports will include adjustments made pursuant to the Customer Inquiry section of the Heat Storm Refund Plan above.

NOTICE

Notice of AL 2885-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the advice letter was mailed and distributed in accordance with Section III-G of General Order 96-A. PG&E also served a copy of its advice letter on the service lists in its phase 1 and phase 2 2007 general rate case applications (A.05-12-002, and A.06-03-005), its phase 2 2003 general rate case A.04-06-024, its Demand Response A.05-06-006, and the service list for Resolution E-3956 addressing its 2006 AET AL.

PROTESTS

The Utility Reform Network (TURN) filed a response and the Western Manufactured Housing Community Association (WMA) filed a protest to PG&E's advice letter on August 18, 2006. On August 24, 2006, the Division of Ratepayer Advocates (DRA) filed a response supporting PG&E's advice letter.

Pacific Gas and Electric Company replied to TURN's response and WMA's protest on August 25, 2006.

The following is a more detailed summary of the issues raised in the protests.

TURN supports PG&E's proposal and stated a preference to provide credits to the highest bills.

TURN responded in support of PG&E's advice letter, and in particular, recommending that the Commission authorize PG&E to use \$5 million to provide a fund for the benefit of its residential customers who might otherwise be unable to pay their bills. TURN states that the existing REACH program "provides eligible customers with up to \$300 to avoid service termination, although REACH funds are never sufficient to meet the emergency needs of all eligible customers in crisis each year." And, TURN adds that "the \$5 million emergency assistance fund may be what makes all the difference for a number of PG&E's most financially vulnerable customers facing unusual hardship from heat storm-related electric bills."

TURN also states that it would have preferred that PG&E's one-time credit plan appear on the highest bill to maximize the positive impact of the credit, but senses that Commission approval might not have been possible on a timely basis.

WMA requests clarification on how bill credits are to be distributed to sub-metered tenants of master-metered customers.

WMA does not object to the heat storm credit proposal by PG&E. However, it does request an explanation of how a refund for a sub metered tenant of a master-metered customer be calculated. WMA requests that the type of rebate be clarified as to whether it is a per-meter calculation, without regard to usage, or a rebate distributed only to current tenants based on their usage during the last billing period. WMA requests that the Commission revise AL 2885-E to provide that any heat storm credit that is distributed to a master-metered customer of PG&E be, in turn distributed to sub-metered residents based on the usage during the month immediately preceding the date the credit is issued.

DISCUSSION

Energy Division has reviewed the heat storm refund plan submitted by PG&E in AL 2885-E. PG&E's plan to offer financial relief to customers in response to the July heat wave is timely and welcomed given the July bill burden customers face. We adopt PG&E's plan as filed in AL 2885-E with modifications.

The credits should be applied to higher residential bills.

TURN stated a preference that PG&E's refund apply to the highest residential bills. We agree. Credits should focus on higher residential bills, and with certain exceptions for low to middle income customers, they should apply only to customers that used above 130% of their baseline allows. Rates for usage above 130%, i.e., in residential rate tiers 3, 4, and 5, are much higher than rates for usage at or below 130% of baseline in rate tiers 1 and 2. It is the customers that use electricity in the higher rate tier who pay the higher bills.

The rate design for the residential class consists of 5 tiers: Tier 1 applies to usage up to a customer's baseline allowance, and Tier 2 applies to usage between 100% and 130% of baseline. Rates for Tiers 1 and 2 may not exceed rates authorized on February 1, 2001, due to the requirements of Water Code Section 80110 (AB1X

2001), thus they have not increased since February 2001. In addition, the baseline quantities have been increased to the statutory 60% maximum for basic electric usage¹, thus pushing the upper tier rates higher.

All revenue increases to the residential class are allocated to the upper tiers.

All revenue increases to the residential class are allocated to the upper tiers 3-5, (i.e. 131%-200%, 201%-300%, and 301% of baseline and above) because of the restrictions of AB1X. Every rate increase occurring since 2001 falls to Tiers 3-5. The July 2006 heat storm bills for customers whose usage fell into Tiers 3, 4, and 5 were extremely high and caused a disproportionate residential revenue over-collection for PG&E. As stated by PG&E in AL 2885-E, some of PG&E's customers have received bills covering the heat storm period, and for the average residential customer, this bill was approximately 44% greater than the June bill. Even the rates in Tiers 3-5 have increased in 2006, while Tiers 1 and 2 remain the same. Tiers 3-5 are 25%, 41%, and 19% greater, respectively, than the 2005 rates. Equitable treatment for these impacts requires that the credits be applied to the upper residential tiers – to those customers who contributed most to the over collection.

Current PG&E Rates		6/1/2006
Tier Level	Component	Rate/kWh
1	Baseline Usage	\$0.11430
2	101% - 130% of Baseline	\$0.12989
3	131% - 200% of Baseline	\$0.21981
4	201% - 300% of Baseline	\$0.30292
5	Over 300% of Baseline	\$0.34648

As can be seen from the non-CARE, residential rate table above, customers whose usage falls into Tiers 3-5 pay two to three times the rate per kilowatt-hours than customers whose usage falls into Tiers 1 and 2. For these customers,

¹ Public Utilities Code Section 739(d)(1) and D.02-04-026.

any increased usage caused by the heat storm in July would increase the total bill dramatically.

With certain exceptions for low and middle income customers, credits should not be applied to bills with usage at or below 130% of baseline during the July heat storm billing period.

With some exceptions described below, it is not appropriate to apply bill credits to residential customers whose usage in July was limited to Tiers 1 and 2. Rates for these customers are subsidized by customers whose usage falls into the upper tiers because of the requirements of AB1X. Customers using less than 130 percent of their baseline allowances may have successfully conserved power during the heat storm. However, they have benefited over the years by paying significantly lower rates, while customers with usage above 130% of baseline have borne all rate increases imposed on the residential class in recent years.

CARE and FERA enrolled customers shall receive bill credits regardless of usage levels during the July heat storm billing period.

Given our goals to provide financial support to low to middle income customers, we will not limit bill credits for customers enrolled in the CARE or FERA² programs based on usage levels. CARE and FERA enrolled customers shall receive bill credits whether or not their usage exceeded 130 percent of their baseline allowances during the July heat storm billing period. Their credits should be determined as PG&E had proposed for these customers, i.e., 15% of their bill during the July heat storm billing period.

PG&E's proposed funding level to assist residential customers unable to pay bills shall be augmented.

PG&E's recommendation to use \$5 million of the over collection resulting from the July heat storm to provide a fund for the benefit of its residential customers

² The CARE program provides reduced bills for low income customers pursuant to PU Code Section 739.1. The FERA program, adopted by D.04-02-057, applies to lower-middle income customers with incomes between 175% and 250% of the federal poverty guidelines and charges Tier 2 rates for Tier 3 usage.

who might otherwise be unable to pay their bills is laudable. We recognize that such a fund will increase the assistance available for customers who risk service termination for non-payment of their July 2006 bills.

The modifications that we place on PG&E's bill credit proposal for residential customers will result in additional funds that can be used for this fund. In addition to the \$5 million that PG&E proposed to place in this fund, PG&E shall include amounts equal to 15% of the electric charges paid during the July 2006 heat storm billing period by all residential customers not enrolled in the CARE or FERA programs, who used 130% or below their baseline allowances during the heat storm billing period. In this way, money that PG&E proposed to return to residential customers will remain in the residential class and will be used for those most in need.

Master-metered customers should distribute refunds to sub-metered tenants based on usage.

WMA requests that the Commission clarify PG&E's AL 2885-E regarding the refund distribution methodology to be used by master metered customers. WMA cites D. 04-11-033, Conclusion of Law 30, which directs that "whenever a utility issues a refund to MHP [Mobile Home Park] owners through a reduction in the utility bill that should be distributed to tenants, the utilities should be required to: (1) identify the refund amount on the bill, and (2) explain how tenant refunds are to be calculated."

In D.04-11-033 we determined that refunds provided to a Mobile Home Park owner by the utility shall be distributed to tenants pursuant to Public Utilities Code Section 739.5(b) except that when the refunds by the utility are on a per-meter basis (Ordering Paragraph 8, D.04-12-033).

Section 739.5(b) states:

"Every master-meter customer of a gas or electrical corporationwho, on or after January 1, 1978, receives any rebate from the corporation shall distribute to, or credit to the account of, each current user served by the master-meter customer that portion of the rebate which the amount of gas or electricity, or both, consumed by the user during the last billing period bears to the total amount furnished by the corporation to the master-meter customer during the period."

PG&E's Refund Plan covering the July heat storm outlines how they will address bills covering the period of July 16 through July 27. PG&E also explains that it will remind master meter customers of their obligation to pass along the refunds to their tenants, in accordance with PU Code Section 739.5(b), and will include a sample calculation of the credit to a sub metered tenet. P U Code Section 739.5(b) relies on a calculation of usage. PG&E's plan states that the refund is based on bills applicable to the July heat storm period. PG&E's plan is clearly based on electricity usage since credits are determined based on the amount billed during the heat storm billing period. Master meter customers therefore shall calculate the rebate to their tenants in accordance with PU Code Section 739.5(b) consistent with D.04-12-033.

Adjustments to a customer's bill shall be determined in accordance with tariff Rule 17.1.

PG&E proposes a nine-month time limit for customers to question their refund. PG&E's proposal to limit the amount of time in which a customer can contend a bill credit is incorrect and inconsistent with its tariff.

Rule 17.1, Adjustment of Bills for Billing Error , Rule 17.1.B.1.a states:

"1. Billing Error Resulting in Overcharges To The Customer

a. Residential and NonResidential Service

If either a residential or nonresidential service is found to have been overcharged due to billing error, PG&E will calculate the amount of the overcharge, for refund to the Customer, for a period of three years. However, if it is known that the period of billing error was less than three years, the overcharge will be calculated for only those months during which the billing error occurred."

If for some reason PG&E rendered a bill with an incorrect credit, a billing error would have taken place. A customer should be allowed to dispute the bill amount, which could include the determination of the credit, for up to 3 years after the bill showing the credit was issued. PG&E shall revise its refund plan to allow for an adjustment up to 3 years consistent with Rule 17. 1.

Bill credits should be initiated no later than October 15, 2006.

Implementation of the bill credits and funding for residential customers requiring assistance to pay bills as approved in this resolution shall begin no later than October 15, 2006.

COMMENTS

Public Utilities Code section 311(g) (1) requires that draft resolutions be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g) (3) provides that this 30-day period may be reduced or waived pursuant to Commission adopted rule.

The 30-day comment period for this resolution has been reduced in accordance with the provisions of Rule 77.7(f) (9). Rule 77.7(f) (9) provides that the Commission may waive or reduce the comment period for a decision when the Commission determines that public necessity requires reduction or waiver of the 30-day period for public review and comment. For purposes of Rule 77.7(f) (9), “public necessity” refers to circumstances in which the public interest in the Commission’s adopting a decision before expiration of the 30-day review and comment period clearly outweighs the public interest in having the full 30-day period for review and comment, and includes circumstances where failure to adopt a decision before expiration of the 30-day review and comment period would cause significant harm to public health or welfare. The public necessity in this case is that the Commission needs to address PG&E’s AL 2885-E at the earliest possible meeting so that it may provide some financial relief to PG&E’s customers who endured severe hardship as a result of the heat storm of July 2006.

In this case, the public necessity requiring a reduction in the comment period outweighs the public interest in having the full 30-day period for review and comment. Thus, pursuant to Rule 77.7(f) (9), we provide for a shortened comment period.

FINDINGS

1. From July 16 to July 27, 2006 PG&E's service territory experienced temperatures far in excess of normal.
2. From July 16 to July 27, PG&E experienced increased electrical demand for power, increased sales levels, and higher than forecast revenue.
3. PG&E customers are experiencing very high electricity bills as a result of their higher use during July.
4. On August 16, 2006 PG&E filed AL 2885-E proposing a Heat Storm Refund Plan that provides for a one-time bill credit to customers beginning October 1, 2006.
5. PG&E estimates that the total amount of the bill credits will be approximately \$125-150 million.
6. PG&E's proposal will provide a credit to customers now rather than later through a rate reduction under its Annual Electric True-Up.
7. PG&E's Heat Storm credits should be applied to residential customers not enrolled in the CARE or FERA programs whose usage was above 130% of baseline during the July 2006 heat storm billing period, and all CARE- and FERA-enrolled residential customers. These customers should receive a credit equal to 15% of their electric charges on their July 2006 heat storm bill.
8. Residential customers not enrolled in the CARE or FERA programs whose usage was at or below 130% of baseline during the July 2006 heat storm billing period should receive no credit. The amount that PG&E had proposed to credit these customers should be placed in a fund to assist residential customers unable to pay bills.
9. PG&E's non-residential customers should receive a credit equal to 10% of their electric charges on their July 2006 heat storm bill.
10. PG&E's proposal to set up a fund of \$5 million to provide to the Salvation Army and other eligible organizations to assist residential customers pay their bills should be augmented by the amount of the credits that PG&E proposed

to provide to customers not enrolled in the CARE or FERA programs whose electricity usage was at or below their baseline allowances during the July 2006 heat storm billing period.

11. The amount of these credits to augment the fund should be reported to the Director of the Energy Division in PG&E's preliminary and final reports, due respectively on December 1, 2006 and September 28, 2007.
12. Master metered customers will be notified of the refund plan and will be reminded of their obligation to rebate the refund based on their tenants' usage in accordance with P.U. Code 739.5(b).
13. Bills showing credits may be adjusted upon customer inquiry for a period of up to three years, in accordance with PG&E's tariff Rule 17.1.B.1.
14. PG&E will file reports on the Heat Storm Refund Plan with the Energy Division.
15. Implementation of the bill credits and funding for residential customers requiring assistance to pay bills as approved in this resolution should begin no later than October 15, 2006.

THEREFORE IT IS ORDERED THAT:

1. Pacific Gas and Electric Company's plan to provide customers with bill credits and establish a fund to assist residential customers pay bills as requested in Advice Letter 2885-E is approved with the following modifications:
 - a. Bill credits will be provided to residential customers not enrolled in the CARE or FERA programs whose usage was greater than 130 percent of their baseline allowances during the July heat storm billing period;
 - b. Bill credits will be provided to all residential customers enrolled in the CARE or FERA programs;
 - c. Residential customers not enrolled in the CARE or FERA programs whose usage was at or below 130 percent of their baseline allowances during the July 2006 heat storm billing period will not receive a bill credit; the amounts that PG&E had proposed to credit to these

- customers shall be used to augment the \$5 million in funding proposed by PG&E to assist residential customers pay bills.
- d. PG&E's plan to adjust refunds upon customer inquiry shall allow a customer to contend that the amount of the refund is incorrect for a period of 3 years after the date the bill showing the credit is issued.
2. Within 7 days of today's date PG&E shall supplement AL 2885-E and provide a heat storm bill credit refund electric refund plan consistent with the requirements of this order. The supplemental filing shall provide PG&E's best estimate of the amount which shall augment the \$5 million that PG&E proposed for the fund to assist residential customers pay bills. Advice Letter 2885-E supplemented as required herein shall become effective on today's date, subject to Energy Division determining that it is in compliance with this order.
3. Implementation of the bill credits and funding for residential customers requiring assistance to pay bills as approved in this resolution shall begin no later than October 15, 2006.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on September 7, 2006; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

ID#5946
August 25, 2006

09/07/06 Commission Meeting
Draft Resolution E-4019

TO: PARTIES TO DRAFT RESOLUTION E-4019

Enclosed is draft Resolution E-4019 of the Energy Division addressing PG&E's advice letter 2885-E. It will be on the agenda at the September 7, 2006 Commission meeting. The Commission may then vote on this Resolution or it may postpone a vote until later.

When the Commission votes on a draft Resolution, it may adopt all or part of it as written, amend, modify or set it aside and prepare a different Resolution. Only when the Commission acts does the Resolution become binding on the parties.

Parties may submit comments on the draft Resolution no later than Thursday August 31, 2006.

An original and two copies of the comments, with a certificate of service, should be submitted to:

Jerry Royer
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
fax: 415-703-2200
email: jjr@cpuc.ca.gov

An electronic copy of the comments should be submitted to:

Anne Premo
Energy Division
awp@cpuc.ca.gov

Comments on the draft Resolution must be received by the Energy Division by August 31, 2006. Those submitting comments must serve a copy of their comments on 1) the entire service list attached to the draft Resolution, 2) all Commissioners, and 3) the Director of the Energy Division.

Comments may be submitted electronically.

Comments shall be limited to five pages in length plus a subject index listing the recommended changes to the draft Resolution, a table of authorities and an appendix setting forth the proposed findings and ordering paragraphs.

Comments shall focus on factual, legal or technical errors in the proposed draft Resolution. Comments that merely reargue positions taken in the advice letter or protests will be accorded no weight and are not to be submitted.

Reply comments on draft Resolution E-4019 will not be considered due to the shortened comment period pursuant to Rule 77.7(f)(9).

Late submitted comments will not be considered.

Gurbux Kahlon
Program Manager
Energy Division

Enclosures:
Certificate of Service

Service List

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of Draft Resolution E-4019 on all parties in these filings or their attorneys as shown on the attached list.

Dated August 25, 2006 at San Francisco, California.

Jerry Royer

NOTICE

Parties should notify the Energy Division, Public Utilities Commission, 505 Van Ness Avenue, Room 4002 San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on the service list on which your name appears.

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